

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-54

April 13, 2000

CONSUMERS MAINE WATER COMPANY
Approval of Affiliated Interest Transaction
With Consumers New Jersey Water Company to
Extend Existing Contract for Two Years

ORDER

WELCH, Chairman; NUGENT, and DIAMOND Commissioners

I. SUMMARY

In this Order we approve an affiliated interest transaction between Consumers Maine Water Company (Consumers Maine) and its affiliate Consumers New Jersey Water Company, for cash receipt services.

II. BACKGROUND

Consumers New Jersey has provided cash receipt services to Consumers Maine since 1998. When we approved the original contract in 1998, we required Consumers Maine to conduct a price comparison if the contract was to be renewed beyond 2000, consistent with the price comparison requirements contained in our Order in Docket No. 94-352. *Consumers Maine Water Co., Application for Approval of Affiliated Interest Contract*, Docket No. 97-974 (Feb. 25, 1998). That Order describes the Commission's concerns about Consumers Maine's contracts with its affiliates, including its parent corporation. The Commission stated that in the future the following considerations will apply to contracts between affiliates:

1. Services provided should be more clearly defined;
2. Services which the subsidiary is obliged to accept from its parent by virtue of corporate necessity should be clearly defined and billed separately from those which are provided based on economies of scale or other factors;
3. Those "economy of scale" services received by Consumers Maine from Consumers Water should be clearly defined and should be based on documented economies of scale;
4. Project-specific services for which there is a competitive market should not be "automatically" supplied by or awarded

to Consumers Water. Such services should be subject to bid or documented price comparisons and negotiations over price which can be readily reviewed in a rate case on a project-by-project basis;

5. Continuing or occasional services for which there is a competitive market should be bid (or subject to price comparisons and negotiations) if total expenditure on an annual or other basis for such services is significant;
6. All services, including those provided by third parties, should be provided only at the request of the subsidiary (this would not apply to those in B, above) and there should be some form of concurrent documentation of requests for service maintained by the subsidiary;
7. Billing for services should be specific enough to identify:
 - The service provided;
 - The total cost of the service (including indirect, overheads and sundry);
 - The person (or persons) who provided the “direct” Service.

Consumers Maine Water Co., Application for Approval of Affiliated Interest Contracts With Ohio Water, Docket No. 94-352 (July 6, 1995).

Consumers Maine states that under the proposed contract with Consumers New Jersey, it will pay 12¢ per cash receipt versus 15¢ under its previous contract. According to Consumers Maine, this is similar to what other of its affiliates charge and that “Fleet Bank presented a proposal to Consumers Maine that was priced approximately \$2,000 higher.”

Commission staff issued two sets of data requests to gather additional information to determine whether the arrangement was consistent with the Commission’s Order in Docket No. 94-352. This included the contract value, information on what services were being provided, and a copy of the analysis Consumers Maine conducted to determine that the Consumers New Jersey proposal was superior to the Fleet proposal. After reviewing the responses, the staff discovered that the Fleet proposal was submitted in 1996. Consumers Maine did not seek proposals or quotes related to this contract renewal. The only price comparison it had was four years old and was obtained prior to the Commission’s Order that it perform a price comparison before seeking approval of an extension of the contract.

III. DECISION

We will approve this contract due to the small amount of dollars involved. Consumers Maine estimates its value at \$5,800. At this time, any additional price comparisons would likely be more costly than any savings. However, we expect Consumers Maine to be more straight-forward in filings and simply state it has not done a price comparison if that is the case. A four-year-old bid without any additional analysis does is not an adequate price comparison.

In the future, any requests for approval of contracts between affiliates should specifically address the seven items from Docket No. 94-352. If Consumers Maine believes that any of the requirements are inapplicable or unnecessary, because of the small size of a contract or for some reason, it should clearly say so.

Dated at Augusta, Maine, this 13th day of April, 2000

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rule of Practice and Procedure (65-407 C.M.R. 110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document is not subject to review or appeal.